

Kempner Water Supply Corporation

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Subject: Minutes of the Board of Director's Meeting on September 27, 2023, are in summary only and, not a transcript of the recorded Meeting.

Attendees: Board - Dennis Kliza, George McClintock, Richard (Ric) Dominowski, Paul Williams, Billy Malady, Wende Hammond, Sam Kier, John Daugherty and Dan Christy.
Staff - Bruce Sorenson, Stacy Ellis, TJ Amstead, Bo Wilson, Chris Mick, Melody Stults, Michael Lentz, JoAnne Welden and Susan Isenburg.
Guests - Members Present: Steven Adair, Angie Amstead, Eve Tatum, Valerie Martin, Janice Kliza, Jerry Seward, Bruce & Cris Seix, Elke White, Bryan & Rhea Tomczyk, Diane Anderson, Eric Cogburn, Larry & Linda Townsend, Jean Dominowski, David & Kelly Secrest, Eddie & Alfredo Gilbert, Norman & Barbara Best, Sam Ingram, John Horengic, Rikki Harper, Teresa Mitchell, Johnny & Sherri Judd, Kara Bathurst, David & Belinda Paskell, Dan Hause, Janet Adams, Jeremy Knox, Richard & Ashlyn Norris, Synetta M. Peete, Dean & Marie Park, Vesta Luna, John & Vicky Kiraly, Bonnie Coslas, Bill Metz, Ricky Locklear, Olivia Bryant, Morris Anderson III, Sandy Aul, Richard & Rita Schiver, Debra Brockway, Matthew Harper, Norma Reynolds, Ruben & Debie Samarripa, Thomas Pera.

- 1. Called to Order and Establish Quorum – 6:00 pm**
- 2. Pledge of Allegiance and Honor to the Texas Flag.**
- 3. Open Session**

John Kiraly: I've been a member since 2007 and I live on CR 4962. I bring a concern tonight that in late August I received a notice from KWSC stating that this letter was a reminder that we are currently under Stage IV water conservation, and that my usage was, essentially, astronomical. My concern is that before receiving this notice which was mailed on the 21st of August (and I probably got it a few days later) is that I had no prior notice that we have moved into Stage IV water conservation. If I had known that I could have taken appropriate action. I know I receive a bill every month and that's public notice but nothing indicating that we had moved to Stage IV. That is seemingly unjust and unfair because of the rates that exist under Stage IV water conservation procedures. As outlined in your Emergency Response Plan there is a duty, which we know is an obligation, to do something and that is to formally notify the public and members, seemingly, that we have changed into drought levels. Of course, at that time drought Stage IV. Now I went into the office, I spoke to Susan, and I asked why I didn't get the notice. She stated to me that earlier that year members were notified that we had moved to Stage III. I did not get that notice. She told me that was an expensive undertaking and it cost over \$7,000.00 but again, sometimes we have certain things that are required for doing business. But she stated that "no notice was mailed out for Stage IV response." Without that notice, again, I was put under a hardship because of the change, the sudden change, of the rates and by receiving no notice as provided by your own Emergency Response Plan dated 2024 maybe we'll be there soon, we're not there yet, it does state formal notification is required, I received none, so I'm asking for a response. Thank you.

Ricky Locklear: When I was here, I asked about the Longevity Plan that we have. I guess now what I'm asking, what dialogue have we had with the Brazos River Authority or the government? Who controls giving us adequate water it's going to be here for the long term? My next question is, who determines what our Base Rate is going to be and then how are they determined if it's going to go up or not? Because we have the highest Base Rate and I know we've talked about this several times, but we haven't talked about who makes that determination, in this organization. Thank you.

Bryan Tomczyk: Hey, how's everybody tonight? My question pertains to the cost of y'all producing water? I apologize my numbers are from 2021 but that was the most up to date information I could get from the website. But in 2021, the Plant alone cost over a million dollars to produce water that year, when y'all bought water from Central Texas Water Supply Corporation, it only cost y'all 740,000 to buy the equivalent of what the customers use. And then, after reading this I'm sure the Plant probably costs more than a million dollars this year to run, plus y'all are adding another 2 million dollars' worth of repairs. I feel like we could buy water from CTWSC for way less than 2 million dollars a year. So, my question is, why are we operating a Plant? Can we just shut it down, and sell it, and pay off all the debt y'all have incurred from upkeep, maintenance, and building it? And then just go straight to buying water from other water suppliers? I know y'all are about to tap in with WCID1 and now you're with Central Texas Water Supply, I'm hoping maybe that could be a way we could save a couple bucks and cut everybody's bill. Thank you.

Rita Schriver: I want to know who does the Longevity planning? I want to know if the long-range weather and drought forecast are taken into consideration with that longevity training? Who does the research on it? Is somebody just giving you all a paper and you're saying, "oh ok." Are you really researching what you're being given, I'm wondering? I think I have a meter problem, I was told no I have a leaky toilet, so I used your little blue tablets. No, I don't have a leaky toilet. We cut the water off at the meter, checked it, wrote down the reading, went back a few hours later and turned the meter back on and I had used 7 gallons of water. How is that possible? If you guys turn off my water at the meter, I'm not going to have any water. We've had leaks before where we shut it off at the meter so we would not use water, but here I'm using water. Where am I using it? Because I shut it down it shuts down everything the house my two barns where we have lines running. All lines have been checked, our faucets have been checked and I've checked the toilets, nothing is running so how am I using water? And I understand that Austin is also having problems with their meters so this might be a problem if it's not just this area. I want to know; you say we can't apply for grants because the median income is too high. When was the last time that study was done? Because a lot of us, I've been on Kempner Water for 36 years we have both retired we are both on fixed incomes because of disabilities, so I want to know the last time the median income, but you picked up a lot of these subdivisions which probably do have people that do have very high income but what about us that don't, anymore? It's very difficult and then with your lawsuit with Lampasas you end up paying that that's going to fall back on us because we are members and you're a corporation and not a Co-op so, Corporations can be sued Co-ops can't be sued. So that's a major difference there and I'm wondering how high are we going to go with this Base Rate when we already have one of the highest in the state? You've got a lot of people here you said \$3,000 to hire somebody to write a grant. You have people here that could probably write a grant, it takes research and writing skills, that's about it. So I've written a few in my time but I'm too old to try it again and that's about all I have except for when the pipe broke I know y'all had to do it to fix the big break that you had the Fire Hydrants on FM 2313 dumped out thousands and thousands of gallons of water that somebody probably could have used I don't know how you

would have caught it but maybe somebody could have used it some way, and I think that was a big waste when it could have been done something with. Thank you.

John Horengic: My question is about the new rates that I think were approved at the last meeting? Because I've seen both and I'm just wondering when those are going to be made available. When they are approved, I guess.

David Secrest: Why are KWSC and Lampasas City water conservation measures not aligned? The other thing I would like to point out is two days ago at the city council meeting in Lampasas, the city council and the city manager said that there is a tiny increase in the levels of our water reservoir Stillhouse Hollow Lake. In doing that, because the increase was only from 603.50 going up to 603.79 which is about 3.625" I believe that that is very irresponsible, for him to say that. And that possibly our manager needs to discuss it with him. Thank you.

Rikki Harper: I have a lot of questions, so I am going to just go through and ask them, so I make sure I get them all down. Where can we find our explicit rights as members? I see the profit and loss budget versus actual from 10/2022 to 8/2023, but I would like to make a formal open records request to see June, July, and August, specifically in comparison to the last three years. I understand the tiered rates were intended to promote conservation. What is the plan with those increased profits? Was the past three months your highest profit to date? Additionally, I am making a formal open records request for the salary and wages of all employees, the meeting minutes for the past fiscal year, and a more specific, itemized, line by line balance sheet. What is the new proposed Base Rate? When will it be voted on? And when is the proposed effective date of the new Base Rate? I'd like to formally request to no longer use the company BGFN out of Temple, as the company that is used to perform the audit for Kempner Water. I would like to request the use of a firm that is not local, to prevent a conflict of interest. And finally, how many members voted in the last Board election?

Norma Reynolds: My question to the board is I also would like to have an itemized copy of the Budget because there are expenses listed on here, continuing education, I looked at something online \$24,800 how many licensed people are employed with Kempner Water Supply that they need that many CEU's? What kind of licenses and how many CEU's are required? Also, what are the other expenses? What does that entail? I need clarification on the BRA payment, payment of \$768,000. I would like to know, what are the professional fees for \$269,000? What is the "other income" listed of \$289,000 and then I would like to know of this capital reserve account worth \$700,000 are being invested? Who is the investment officer? How were they being invested? I would like to know Mr. Lindner, who is the attorney for KWSC, he is the attorney for this corporation right? And how is he being paid? Is he being paid by Kempner Water Corporation, by the members here? Ok so how does that work that the attorney that we pay for advises all your guys and ladies not to answer questions directly. In other words, why is our attorney working against us and only working for a specific group of Kempner Water Supply Corp. Because at the last meeting you said you were advised not to answer questions directly so in other words, we are paying his fee and he works against us, and he works for you guys. It's a conflict of interest. I looked it up, conflict of interest, if you have a group of clients who hire one attorney who works for all these clients and you're all paying clients it's a conflict of interest for that person to only work for you and to write advise you against us. He didn't advise us. It may not be illegal but it's unethical, we are paying for this attorney, what happened with the questions you didn't want to put yourself out there. We're coming up here we have the guts to ask questions but you, for whatever reason, were so guarded you saw it necessary that you had to get the attorney to advise

you not to answer questions. If you have a good conscience, in my opinion, there should be no reason why you couldn't answer. I would like to know where the fees for this attorney are listed in the Budget, and under what expense that is. Is it payroll? Is it other expenses? Is it Professional fees? Because if it's under professional fees it's quite a chunk of money that you pay him to work against us. I would like to have a copy of the Budget.

Janet Adams: Not a question, suggestion, because I know that one of the complaints is not many members attend these meetings and I know for myself personally it's very hard to do so. Why aren't you making better use of social media? For example: Hamilton County Electric Coop they have a Facebook page I think there's is public, but you can have a private group where you only allow members to be in that group. I'm a former VPN non-profit and it worked really well for us for outreach for getting members involved for addressing questions they may have so that might be an idea for something to utilize for outreach. Thank you.

Barbara Best: As far as the attorneys' fees goes is he on retainer? I would imagine so rather than hourly. That would probably be the smartest way to keep an attorney handy. When we moved into Kempner area in 1988 in order to receive water service from Kempner Water, we were told that we had to pay a fee which was ok we never had to do that before, but we were retired military too. So, and the fee we were charged they were saying it was for a Membership Fee because they're a Co-op so now I understand that it's no longer stated that Kempner Water is a Co-op, so I'd like to know when that was changed. We were told by the water department that it was a Co-op, I know it's on the website, but anyone running the website can go in and edit it and put whatever dates but when we moved here in 1988 it was a Co-op. We didn't buy a meter we paid a Co-op Membership Fee, and we were told at that time since it is a Co-op, we were supposed to receive a share of the profits which never happened. So, now I understand it's on the website that it's not profit sharing because it's now non-profit after it, it wasn't at the time.

Synetta Peete: Two things. First I want to know when we are going to see a relief in our bill yeah I didn't tone down my water went down and my bill was a little less but it's still close to my electric bill and I have a big issue with that and secondly I understand that Kempner started with two people and a well and all this other history but time has changed and I believe that when you get over your head, I don't know everything, that sometimes you need to step aside and let something bigger or someone bigger take over this is crazy I shouldn't be paying \$200 for water and it's just me and my spouse I shouldn't. I don't have no leaks you guys already came out there and checked I don't have no leaks, so it's like Killeen, Cove two different cities but we are right beside them and there not in the same stages and all I'm reading is we're still in Stage IV and we going to stay in Stage IV and then soon after we get out of Stage IV y'all going to increase the water y'all going to increase the amount of what we paying in water when we already paying a lot. So, when are we going to get relief? Have y'all even thought about maybe it's time for y'all to turn it over to maybe connect with Killeen or Cove so we can get some relief because I find this to be ridiculous, I don't know everything I don't know how it works behind the scenes I don't know what y'all do I'm not downplaying what y'all do but sometimes you got to throw the towel in and let somebody else come in so the people can get some relief. Because I know I'm feeling it in my pocket and I'm retired military I know y'all probably feel it, I don't know y'all's pockets, but I know my pocket and my pocket is not happy when I must pay that water bill, going from \$70 to \$200 that's a big jump and I'm on a fixed income too. So, I want to know have y'all thought about having somebody else to take over and connect with Cove or connect with Killeen so you can relieve my pocket and I guess y'all's pocket too. I don't mean to be disrespectful, but my grandmother and grandpa taught

me that when you're in over your head you either sink or you swim and right now y'all causing me to sink and I want to swim, and I can't swim but I'll wear a life vest. I just want to know.

4. Discussion and possible action to approve the August 23, 2023, Monthly Board of Director's Meeting Minutes.

Paul Williams made the motion to approve the August 23, 2023, Monthly Board of Director's Meeting Minutes. Wende Hammond seconded the motion. 9 in favor, 0 opposed.

5. Discussion and possible action regarding CTWSC and Lampasas Contracts.

Bruce explained CTWSC provides water to KWSC, and we supply it through the distribution system to the City of Lampasas. Due to recent drought conditions, the City and KWSC management have been in negotiations regarding an additional contract for KWSC to sell water to the City, in the event CTWSC cannot deliver water. The City is in the process of drafting a proposed contract, so I placed the item on the agenda because I thought I may have a preliminary contract for the Board to begin reviewing. Bruce stated we have not received the initial draft from the city at this time.

No Action Taken

6. Discussion and possible action to approve the August 2023 Financial Statements.

Sam Kier made the motion to approve the August 2023 Financial Statements. Ric Dominowski seconded the motion. 9 in favor, 0 opposed.

7. Discussion and possible action to approve Letters of Intent from Professionals.

Ric Dominowski made the motion to approve the Letters of Intent from Professionals for Meeder Public Funds, Davidson, Troilo, Ream & Garza Law Firm, and BGFN Certified Public Accountants. Sam Kier seconded the motion. 9 in favor, 0 opposed.

8. Discussion and possible action to approve Committee Meeting Minutes.

a) Tariff/Rates Committee Meeting – September 19, 2023

Ric Dominowski went over the minutes and Committee recommendations. Sam Kier made the motion to approve the September 19, 2023, Tariff/Rates Committee Meeting Minutes, and recommendations with a revision to the verbiage of the Drought Contingency Rates for Stages III and IV. The rates listed in the Tariff are the rates that will be charged, they are not an additional charge. Wende Hammond seconded the motion. 9 in favor, 0 opposed.

“OLD BUSINESS”

a) Rack Installation @ WTP – Pall Corporation paid to date \$1,479,626.29 including Change Order #1 and SD Kallman Engineering paid to date \$170,845.00 of \$180,500.00. LAN Engineering initial invoice \$225.00. Trew Contracting Solutions/ACSTAR paid to date \$157,148.10 of \$410,000.00. Johnson Lab & Supply (Flange Gasket/Valve) \$23,025.27.

b) Intake Structure Upgrade @ WTP – Stainless Steel Fittings have been installed.

LAN Engineering paid to date \$3,130.00. Consor Engineering \$29,775.00. Ferguson (flange Gasket/Valve) \$2,187.79. Jergenson Pump \$20,100.00

c) **New Strainers @ WTP** -MRB Engineering Group paid to date \$17,632.50.

Forsta Filters paid to date \$374,124.00 of \$403,752.00. Trew Contracting Solutions \$57,000.00.

d) **WCID1 Water Line Interconnect** – SD Kallman Engineering paid to date \$103,500.00. LAN Engineering \$185.00 Instruments Direct Invoice (Meter) \$6,652.00. Trew Contracting Solutions \$674,500.00. Texas ICO (Flow Meter) \$11,250.00.

9. Manager's Report:

Burce Sorenson explained the office has been fielding a lot of phone calls and doing a lot of data logs.

The Water Loss has been very low (1%) but the State requires us to maintain residuals so our water loss will be higher next month, due to flushing. He explained the distribution crew has been required to begin flushing some dead-end mains to retain the State's required residuals. We have had member complaints regarding the flushing. We have been allowing the flushed water to be collected by builders and other members who want to use it for non-potable uses, such as construction, landscaping, and ponds. There is nothing we can do to avoid flushing. We have no choice because we are required to maintain minimum standards for our drinking water.

Lampasas also does not take much water. They have cut their usage by 45%. They are doing good.

There is a lot of construction going on at the Plant. We are excited about the Filters because they will increase our capacity. The new Strainers are scheduled for start-up on the 20th. The new Rack is set to be finished at the end of October or beginning of November.

The recent rain did not do much for the lake level. It will take a lot of rain to fill all the holes, ponds, creeks, and the river before the lake level will see any significant increase.

Bo Wilson explained the leaks have been minimal. We have 9 in-line Pressure Reducing Valves (PRVs) that we have begun checking monthly. All residuals are good with the minimal flushing we have had to do. The weekly Managers' meetings and meetings with the Engineer have been productive. We are working on things to help improve our system and capacity.

Bruce explained we have had members calling in saying their meters are not working right. We go out and check the meters and have sent some off. All but one has come back as correct, and it was not registering any usage. When these meters stop working, they quit registering water usage. They do not register more usage.

We are still in Stage IV. We have had a 35% reduction from this time last year. Overall, I would say we are doing well.

The Engineer has a proposed plan for the connection with Copperas Cove. We will be going over that with Cove next week. It will be sent to the State for approval after negotiations are finished. Copperas Cove is going to cost share in the connection 50-50 because it can benefit them as well.

We had a meeting with Lampasas and CTWSC on the 21st. The reason for the discussion of an additional contract with the City of Lampasas is due to CTWSC possibly not being able to provide

water for the City if the drought conditions continue to deteriorate. Right now, CTWSC has some pump repairs they are working on that could help their production. I will keep you informed on that as it progresses.

10. Board Of Director's Announcements:

Billy Malady - I have been in this area for about 2 years, and I really like this community. I've met so many good people and I know you all are good people, just like the people on this Board. I know money and water are a very emotional topic and I appreciate those who talk to us calmly. I appreciate those of you who stayed for the entirety of the meeting. We get a lot of good information and good conversation at the end of these meetings. I even learned something tonight about Clearwater and storage. We are always educating ourselves. Thank you for being good neighbors.

Paul Williams - Nothing for me. I will second what he said. I appreciate those who bring your concerns. We are doing what we can. I know sometimes it does not look like it, but we are working with what we have got, taking over some bad decisions from the 80's like the Lampasas Contract that we are all suffering from. We are doing what we can with what we have got. The whole team is doing a great job. Thanks for your understanding and thanks again for coming.

Wende Hammond - I am very pleased with the amount of people that stayed. Every one of us serving on this Board are members as well and the decisions we make are for the betterment of all members. We are working with what we've got. This affects us and our pocketbooks also. We have had wonderful conservation. Thank you for staying and thank you for coming.

George McClintock - I think it has been said, thank you.

Ric Dominowski - Keep up the passion. We all need water to survive.

Sam Kier - I thought it was a great meeting and there were a lot of great ideas. I have a few items I would like to get on the agenda. We need to research that tool that could help find leaks. The Facebook idea is another great idea that I would like to have put on the agenda if that is possible. It does cost money because someone must maintain it, but it is something we should discuss. This could help keep members informed. I think it would be a great idea to bring a microphone to the next meeting and get the packet put on the screen for people to see. Thanked everybody for coming.

John Daugherty - Nothing

Dan Christy - I would like to express my appreciation to the staff for the responses to the questions. I think you guys did a great job with all the answers. They were very professional and without any emotion. For those that do not know, the reason we do not answer these questions in the meeting is so you can get a completely accurate, well-thought-out answer without any emotion and everyone getting upset.

11. President's Comments:

My final comment, there have been quite a bit of things being done behind the scenes and at the Plant. If you go to the office, you will see employees fielding a lot of questions and helping those

that come in seeking information. I would like to address Synetta. I love your passion. Your comment last month was when are we going to see relief on our bills. It was the same thing this month, which is ok. There is something you need to understand. First, Kempner Water has nothing to do with the City of Kempner. The cities have tax bases that they use to subsidize the water. Being in a rural water system, we do not have that subsidy. You said your bill was \$200, that is about 15,000-20,000 gallons. I do not know if you have been watering. Next month is 4,000 gallons so your bill will be less than \$100, including your base rate. If you calculate the cost per gallon, you are paying 2.5 cents per gallon. Some say that is too much but if you go buy a case of water at Walmart, you pay \$12.50 per gallon. That is a ridiculous cost. There are costs associated with getting water from the lake, treating it, getting it all the way over here, maintaining the equipment and fixing leaks. 2.5 cents per gallon is not that bad. That is what your base rate costs. That's all I have.

12. Adjourn

Sam Kier made the motion to adjourn the meeting at 8:29 pm. Paul Williams seconded the motion. 9 in favor, 0 opposed.

George McClintock, Secretary/Treasurer